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# SBDC NEWS

Ontario Small Business Development Corporations Program

Vol.5: no.1 (issue no.8) January 1985

## HELPING TO MAKE IT HAPPEN



The architects of industrial development in Northwestern Ontario: from left to right: Bea Johanson, Bill Brayshaw, Wayne McLellan, Dick Charbonneau and Jim Johnson.

In the 1984 Ontario Budget, the Treasurer allocated \$7.5 million for the payment of incentives on capital raised by SBDCs for investment in small businesses located in northern and eastern Ontario. But industrial development doesn't occur spontaneously. It has to be sought, nurtured and helped to grow. In Thunder Bay, Ontario, a group of five professionals involved in industrial development meet regularly to pool information and ideas. Sharing a common interest in regional economic development from Manitowadge to Kenora, they're helping to bring industrial development to Northwestern Ontario.

Beatrice Johanson is the general manager of the Thunder Bay Chamber of Commerce (TBCC). The TBCC represents the largest group of diverse businesses in the Northwest and has the respect of the community. "I'm motivated by attracting diversification," Bea Johanson says. "The more small businesses we can attract and help grow, the sounder will be our local economy."

Bill Brayshaw is program co-ordinator for Commerce Northwest Inc., which was established to promote industry for Northwest Ontario. He actively assists local Chambers of Commerce and seeks opportunities for replacing imports with local manufacturing. He has established a good rapport with the area's community colleges and

has encouraged them to offer business programs, especially in the field of tourism. "Some of the problems the SBDC program faces in the North are a general suspicion of the new," he says. Dick Charbonneau is the general manager of the Thunder Bay Economic Development Corporation (TBEDC). The TBEDC is funded by the city and Charbonneau's job is to sell the municipality as a location for industrial development. He offers a business planning and advisory service to the 250 small businesses in Thunder Bay. "Our small businesses are really small," he says. "In Thunder Bay, there are 185 manufacturers each with less than seven employees. There was a lack of knowledge about the SBDC program but the efforts and visits of the SBDC staff have allayed many of the fears of it. You no longer hear people going around saying, 'I don't want the government messing around' and 'It sounds too easy to be OK' the way they used to."

Jim Johnson is a local lawyer and the founding chairman of the TBEDC. "The two basic reasons for small business failures are bad management and under-capitalization," he says. "The SBDC program solves these problems by replacing a dependence on debt financing with equity financing and by providing the opportunity for improved management. If the SBDC program can bring up a panel of

prospective venture capitalists, we'll provide the investment opportunities and present a package of suitable companies."

Unofficial chairman of the group is Wayne McLellan, business development consultant in the Thunder Bay office of the Ontario Ministry of Industry and Trade. "I filter out the static," he says. "I bring together the diverse government programs and eliminate the overlap. The small businessman is bombarded from every side. Our group can get together and interpret the offers. We can promote any program that we feel works. We can create credibility and help open a window for a program like the SBDC."

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**On pages 4 and 5, SBDC News showcases three firms in Northwestern Ontario: Porta-Boat Canada Ltd., Kakabeka Timber Ltd. and Great Lakes Ceramics Inc., as examples of the exciting opportunities being developed by the group in Thunder Bay featured on page 1.**



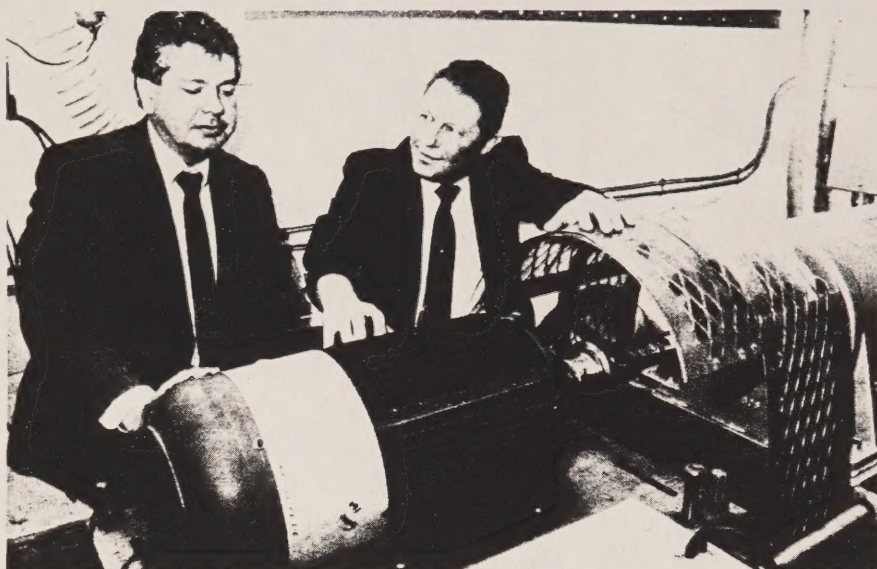
Ontario

Ministry  
of  
Revenue

Bud Gregory  
Minister  
T.M. Russell  
Deputy Minister



# FULFILLING THE DREAM



*John Dodge, president, Ontario Centre for Resource Machinery Technology (1), and Rudy Zayec, president, Astro Electric Co. Ltd., examine the type of DC motor to be produced.*

In 1971, Rudy Zayec started Astro Electric in Sault Ste Marie to clean and rewind electric motors.

Repairing and rebuilding motors wasn't enough for him. All the DC (Direct Current) motors he worked on were imported, mostly from the U.S.A., some from Europe. Zayec dreamt of manufacturing them in Canada. Because the current is direct rather than alternating, a DC motor can have an

adjustable speed control. This is essential for conveyor-line synchronization. DC motors are used extensively in lumber, mining, paper, steel, oil, automotive and other heavy industries. In 1974, Zayec began an eight-year search for a partner with whom he could manufacture small DC motors. Two years ago, he clicked with Meyer-Elektromotorenfabrik GMBH in West Germany.

Currently importing the technology and half the components, Zayec expects Canadian content to rise to 95 per cent within five years.

For the last two years he has been

working to find Canadian suppliers of materials and components and to obtain Canadian Standards Association (CSA) approval. During this period, he renovated his factory in preparation for production of the 10 kw or 25 horsepower DC electric motors.

The Ontario Centre of Resource Machinery Technology (OCRMT) has faith in the combination of the West German firm's technology and Astro Electric's expertise to the tune of investing \$385,000. As the venture proves successful, Zayec looks forward to buying out the OCRMT's investment.

Zayec is also an inventor. Eleven years ago he designed a battery-operated snowblower with a DC motor. With attachments he developed, the snowblower can be adapted to a lawn-mower, a vacuum-cleaner, a hay-binder, and a compressor that will provide 45 pounds per square inch (psi) pressure for inflating tires or spray-painting fences.

Where possible, Zayec and his staff made most of their own equipment. He needed a winder — the quote was \$35,000 and six months. He built his own in six weeks for a tenth of the cost. It may not be elegant, but it does the job. Recently he wound an engine with 1,600 pounds of copper wire.

Currently, Astro Electric employs ten. As sales increase, staff is expected to increase to 30 by 1985 and 90 by the end of the decade.

Zayec's dream is on its way to fulfillment. He is now looking for Small Business Development Corporations (SBDC) investment to help reach the next plateau.

continued from p. 1

"The SBDC program is to be commended for its recent major effort in Northwestern Ontario to encourage increased activity in the program," says Bea Johanson. "However, most of Northwestern Ontario businesses are service businesses for the forestry, mining and tourism industries. There is a lack of book publishers and research and development firms. Most of the tourism industry is seasonal. We'd like to see the eligibility requirements amended for Northern Ontario to allow service businesses to participate in the SBDC program. If small businesses in Northern Ontario are to be able to take advantage of the opportunity for SBDC equity financing, the SBDC program must be expanded to include other business opportunities than currently allowed."

If the Thunder Bay group is successful, businessmen across the North will have these concerned individuals to thank. Although their specific mandate is to promote industrial development in Northwestern Ontario, theirs is the wider vision that foresees benefits for all of Northern Ontario from Manitoba to Quebec.

## small SBDC MEANS BUSINESS

Small Business Development Corporations Program

### DO YOU WANT TO:

- Expand, improve or enlarge your current facilities?
- Launch new enterprises or develop new inventions or processes?
- Attain financial stability?

### IF YOUR COMPANY

- is a Canadian controlled corporation
- has no more than 150 employees
- pays 75% of salaries and wages for operations in Ontario
- is primarily involved in manufacturing and processing, tourism, research and development or book publishing
- operates at arm's length of the investing SBDC

YOUR BUSINESS MAY BE ELIGIBLE FOR EQUITY INVESTMENTS FROM AN SBDC.

For further information on the Small Business Development Corporations program, please complete the attached postage paid card or telephone Bruce Jardine at 433-6470 (Oshawa).



# THE KEY IS MARKETING



*Assembling satellite receivers.*

There's no use having a better mousetrap if no one is beating a path to your door to buy it. That's what happened to Scannar.

Since 1977, Scannar has produced the ultimate in commercial fishing sonar. The unit is used primarily to locate schools of herring, tuna and mackerel. The equipment determines the size of the school, its depth from the surface of the water, its thickness and its distance away from the ship. A sophisticated split screen and three-colour coding filter out "noise". But Scannar had saturated its immediate market, it had no service and warranty back-up for the product, and when the recession hit in 1981-82 it didn't have any customers.

By 1983, a once flourishing industry had been reduced to five employees and was virtually bankrupt. Although it had a high technical capability, it lacked financial management and marketing know-how. Without the missing ingredients, the company's excellent reputation wasn't enough.

It was a serendipitous discovery of the SBDC program that enabled Peter Appleton and Hermann Rupprecht to acquire equity investments in Scannar and revitalize the company.

They were investigating an investment opportunity in Cornwall, Ontario, but turned cool on the prospect and prepared to pull out. City officials suggested the partners look at Scannar before they left. Appleton and Rupprecht liked what they saw and began negotiating in February 1983.

It became apparent halfway during

the negotiations that Appleton and Rupprecht wouldn't be able to close on the deal. There was a gap between what they could offer and the minimum the sellers would take.

Then, while cleaning out an office, Appleton found copies of the first edition of the **SBDC Guide**. He was intrigued by the SBDC program, which seemed that it might help.

The amount of the SBDC incentive grant Appleton and Rupprecht could obtain exactly met their shortfall on their equity investment in Scannar. "We were at the point of going elsewhere if it hadn't been for the assistance provided by the SBDC program's incentives," says Appleton.

Appleton and Rupprecht melded their management knowledge with the company's technical expertise. Scannar had sold five units in Canada and others to Norway, Iceland, South America, Ceylon and elsewhere. The recession had priced the unit out of the market and there was the lack of confidence in the equipment generated by no service and warranty back-up. The revitalized company spent \$100,000 cleaning up the field problems. It flew repair teams everywhere, created a warranty, and instituted a maintenance schedule. The introduction of a service base restored lost credibility and built new confidence in the company's product.

The company now undertook a marketing study to research sonar possibilities. They asked basic questions about the company: was it merely a fishing equipment

company?; was it a sonar company?; was it an underwater company?; was it a high-tech electronics company?

The conclusion was that Scannar is a high-tech electronics company with a special underwater expertise. It began to diversify and find alternate uses for the sonar equipment. The market was extended to pack-ice detection. Scannar branched out into ultrasonics, arctic navigation, sonar equipment for the military and satellite receiving equipment.

Scannar developed a receiver for processing satellite signals that can sit on top of a television set and bring you programs from around the world through an earth-dish antenna. An accompanying Scannar Block Downconverter provides for multiple simultaneous channel selection and allows several video units to be operated at the same time.

The company went to three trade shows during the summer of 1984 with two hand-built units as prototypes. The result was 3,000 firm orders and the production line wasn't scheduled to start until the end of October 1984. And there was a potential of selling an additional 1,500 units. Ninety per cent of sales is to the U.S.A. The main problem is keeping up with demand.

The revitalized company has been a tremendous boost to regional development in Eastern Ontario. From five employees at the beginning of 1983, Scannar had 60 by mid-1984. Appleton and Rupprecht developed five electronic high-tech businesses as spin-offs from Scannar, some of which have SBDC investment, providing another 40 jobs in the Cornwall area. In one year, the SBDC investment that received a \$75,000 grant from the SBDC program had created 100 jobs.

Today, Scannar is a wholly Canadian-owned company, specializing in underwater research and development for industrial, commercial, military and scientific markets. A strong commitment to research and development has led to the design and production of high quality sonar and associated underwater systems. It produces commercial fishing sonars, military sonar systems and specialized underwater systems. Its markets are military applications, the commercial fishing industry, vessel navigation, ocean and arctic exploration and specialized underwater research and development.

"Without the SBDC program we wouldn't be here," says Rupprecht. He and Appleton are both so pleased with the SBDC program that they've made a second investment through the program and now they're researching a third.



# FOLDING FOR FUN

When the mines closed in Atikokan, Sam Matichuk closed his 13-year-old electrical contracting business. He went to work for others, but always wanted to get back into business for himself.

In November 1982, Atikokan Industrial Development (AID) Corporation advertised Porta-Bote, now called Porta-Boat in Canada, as a prospect for an entrepreneur. Matichuk was interested.

Matichuk met the inventor of Porta-Boat at the inventor's first trade show. The inventor was leery about licensing because of the expertise and special equipment required. However, he agreed to have Matichuk visit the plant, which Matichuk did in the spring of 1983. He took five foolscap pages of questions "I returned," he says, "full of exhilaration and excitement induced by the product."

Porta-Boat has been on the market for 12 years. It is a boat that can be folded to four inches thick and lies flat. The largest size — 12 feet, weighs only 59 pounds. It is made from "Profax", a polypropylene resin produced from natural gas. "Profax" is the only resin that gives a "living hinge". Its molecules have a memory and don't align; the more it is folded, the stronger it gets.

Market growth had been slow in Canada due to the exchange rate on the dollar. A twelve-foot model retailing for \$895.00 in the U.S. cost \$1,654.00 in Canada by the time foreign exchange, customs duties, taxes, freight and profits for the importer and retailers had been included. It could be manufactured in Canada and sold for less than that and still yield a handsome profit.

Matichuk quit his job in April 1983 to devote himself full-time to the project. He spent nine months putting together the package of design, costing, marketing, financing, and sourcing. His biggest problems were research and development and sourcing.

The original model carried a ten-year warranty, but wouldn't last a year in the Canadian climate. Improvement was essential. Matichuk found a supplier who produces a resin superior to any world-wide and which far exceeds Canadian environmental requirements. Matichuk refined and improved on the basic design of the boat. He simplified and streamlined the production process. He invented and constructed most of the production machinery. His improved equipment is more precise and creates less worker fatigue — thus resulting in higher production at lower cost.

All these changes and innovations are patented, which inhibits clones and gives Matichuk an independence



*Portaging a Porta-Boat.*

from the parent company. In fact, the Canadian product is better than its U.S. counterpart and has received higher consumer acceptance.

Currently, 98 per cent of the ingredients is Canadian-made. Eighty per cent comes from Southern Ontario.

Matichuk embarked on an aggressive marketing campaign. During early 1984 he appeared at 13 trade shows across Canada. He received gratifying response and media acceptance was excellent. From June through August 1984, he averaged 100 inquiries per month.

Materials are stockpiled and fail-safe secondary sources lined up. The plant at present can produce 300 boats per month on two shifts. The only hold-up at present is storage space. A market survey targets sales of 750 plus boats in 1985, 1,000 in 1986, and 1,500 in 1987. Currently, an eight-footer sells for \$900, a ten-footer for \$1,050 and the twelve-footer for \$1,200.

Matichuk keeps material costs down through recycling. After a boat is cut out of an extruded sheet, there is 15 per cent waste. This is reground to pellet form. The reground waste can be mixed with virgin resin up to 28 per cent of the total without affecting quality.

Not content with a folding boat, Matichuk has invented a folding canoe. It has outstanding stability,

tracks straight and can go seven canoe-lengths on one stroke. It's not a fast-water canoe, but being keeled is a good "laker". It is extremely durable.

Matichuk has also invented a folding sled that will be field-tested this winter.

The parent company has sponsored plants in Korea, Japan, Australia and Italy, in addition to Matichuk's in Canada. Matichuk is discussing exporting to a pending factory in Sweden since his Canadian boat is better suited to Northern European winters than the original product.

Meanwhile, Porta-Boat continues to gather consumer acceptance. Testimonials from tourist camp operators say Porta-Boat outlasts aluminum. The boat's portability and light weight make it great for fly-ins, search and rescue and for the RV (recreational vehicle) trade. Go Vacation has stocked 220 of its houseboats with Porta-Boats and is offering them with its mobile homes. Fishing Buddies has purchased them to lease.

Porta-Boat is on its way to being a Canadian success story. Now Matichuk is looking for venture capital investment to finance development of the canoe and sled he has invented. With SBDC investment, the company can reach to the top.



# PACKAGED PANELLING PAYS

Bill Smiljanic is a forest products engineer with 23 years experience. When he bought Kakabeka Timber Ltd. in 1976 it was on the verge of bankruptcy. Willing to work 18-hour days, Smiljanic set to turn the company around. The company had been in birch in a small way. Smiljanic built up this side of the business and re-organized the company's marketing and shipping. Birch is a speciality product for dowels and pins used in the furniture manufacturing industry. In eight years, Kakabeka Timber has become one of the two biggest North American producers and the major supplier to two of the biggest North American furniture manufacturers.

Smiljanic organized timber cutting so that white pine could be separated from other species and sold as such rather than in a mix with spruce and balsam. Next he expanded from selling rough lumber to manufacturing and began selling finished siding. Then he made the big move from outside to inside materials.

In 1982, Smiljanic saw interior panelling as the future and re-tooled his plant. Market success reflects changes in interior decorating away from wall-to-wall carpeting and back to hardwood panelling and flooring. Kakabeka Timber Ltd. is now a major contender in the panelling business and is established across Canada and in 22 U.S. states.

The panelling is offered in a choice of six species: white pine, birch, eastern cedar, oak, black ash and maple. It is packaged in eight-foot bundles of four, five and six-inch thicknesses. The number of planks per package varies depending on the widths — a package will always cover 17½ square feet.

Another feature is that the panelling is a half-inch thick and can be nailed directly to studs without backing. Panelling that is three-eighths of an inch or less must be affixed to a backing because it will not stand alone. The extra eighth of an inch in thickness can mean a 30 per cent cost saving in materials. Because of the thickness, the panelling can also be used for flooring.

One of the special features about Kakabeka Timber is its unique energy-conservation program. Smiljanic invented a system of burning sawdust. The shavings from the moulders and planers are piped directly to a silo and from there fed into the burners. When the silo is filled, waste material is automatically diverted into outside storage.

Now on a firm footing, Smiljanic plans expansion and looks for venture capital investment to finance his next

move in wood products for interior decorating. A flourishing manufacturing concern with a proven product.

Kakabeka Timber Ltd. is a natural for SBDC consideration.



*Bill Smiljanic, president, Kakabeka Timber Ltd., displays packaged panelling.*

## BRICKS INTO TILES

Ninety per cent of the floor tiles used in Canadian shopping centres and airports are imported, primarily from France and Germany. Fifty per cent of floor tiles used in the United States are also imported from Europe. Avonlea Mineral Industries Ltd. of Regina, Saskatchewan, looked at the potential sales of high grade ceramic floor tiles and decided to go after a piece of the market.

Ninety-eight per cent of the ingredients of a tile needs to be a clay of high refractory quality, which means specially resistant to heat and corrosion. Avonlea began exploring for this sort of good high quality clay and found a deposit in south-western Saskatchewan. The next stage was to construct a plant.

For 30 years in Thunder Bay, Ontario, there had been a brick works known as Thunder Brick satisfying the local market with 4" x 2" x 8" bricks. If they sometimes were imperfect, it didn't matter, the usual half-inch of mortar used in brick-laying more than compensated. Four years ago, German interests purchased the

facility. They wanted to break into the tile market and expanded the plant and completely re-tooled. They put in state-of-the-art equipment and transformed the factory into an automated high-tech facility equipped for extruding the clay rather than the old press method.

However, the local clay was unsuitable for tiles. It did not have a wide enough burning range. This is important, for if you under-fire, the clay isn't cooked, and if you over-fire, the clay is vitrified into glass. Since governing the heat in a large kiln is tricky, the wider a burning range a clay has, the better. Another problem was that the local clay marshmellowed in the extruders. After attempting for two years to manufacture a marketable product, the re-vamped plant shut down in mid-1982.

Avonlea knew that the plant in Thunder Bay existed, had problems, and was not in production. Avonlea also knew that the Thunder Bay plant was exactly what they were planning to build.

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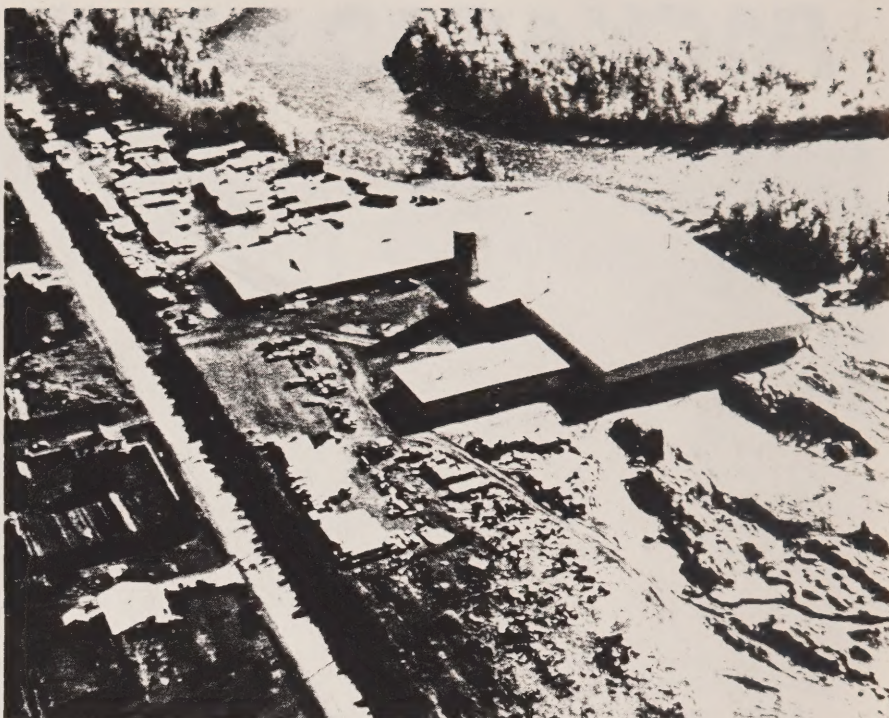


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Thunder Bay is closer to eastern markets and has excellent port facilities and rail connections. Avonlea did a cost analysis. The result: it's cheaper to move the clay to the plant than the plant to the clay. So Avonlea bought the facility.

To ensure the suitability for tile manufacturing of the Saskatchewan clay, Avonlea arranged for a French tile manufacturer to process 15 tons through its regular production line. This was a full-scale plant run, not a pilot project. The result was eminently satisfactory.

The Thunder Bay ceramic tile factory will be operated by Great Lakes Ceramics Inc., which is a subsidiary of Rockglen Ceramics Inc. — an associated company of Avonlea Mineral Industries Ltd. Avonlea have been looking for local participation. As Great Lakes Ceramics, the former Thunder Brick is an example of the growing industrial diversification of the Lakehead region. And it is an excellent candidate for venture capital investment.



*The previous Thunder Brick plant, now the home of Great Lakes Ceramics Inc.*

## GETTING THERE IS ALL THE FUN

"We started out with a single line, but branched out into all sorts of craziness. When the recession hit, toys went first, and the company had little to capitalize on." That's how Melvyn Arnold Stein, president of AHA Automotive Technologies Corporation, describes the way it was before the

Small Business Development Corporations (SBDC) program entered the picture.

Stein is a native Torontonion and chartered accountant who has been in the automotive business all his working life. He became involved with

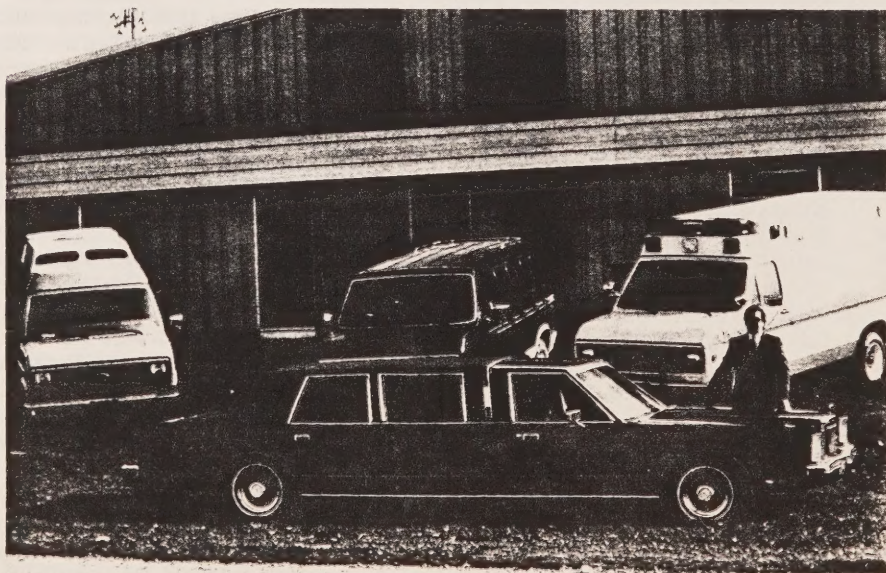
AHA Automotive in the late '60's in Belleville, Michigan, near Detroit. AHA produced a luxury limousine (limo) with custom work, bars and television. In 1976, Stein purchased the conversion operations of the business and moved it to Mississauga. "It was either move the business or move my family," Stein says, "so I moved the business."

It was a gamble on Stein's part. Sales had dropped due to the oil embargo. This is where AHA automotive got sidetracked. The need for cash flow forced it to take on other orders.

In 1978, AHA started producing Lincoln hearses to match its limos and selling them as pairs. The company also began converting GM Buick Electra 225s as a lower-priced version of the Lincoln duo. "We had a tiger by the tail," recalls Stein. "The business was there, but there was little profit in funeral limos. And the work kept us from concentrating on luxury limos with better margins, so overall profits shrunk."

In 1979, AHA started converting coupes into convertibles. AHA even did restorations of antique and classic cars. "Now that," says Stein, "is purely a labour of love. It is definitely not a commercial venture."

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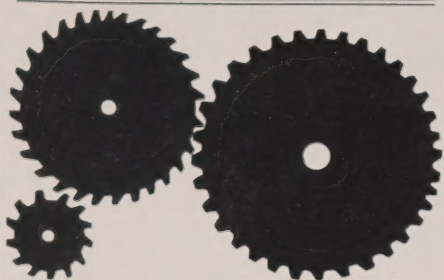
*M. A. Stein, president of AHA, shown with the combined product lines of AHA and Funcraft/Sentinel.*



# OPPORTUNITY SHOWCASE

A regular feature of **SBDC News**, Opportunity Showcase highlights small business in need of capital. These businesses are not endorsed by the SBDC program and have not been reviewed to determine whether they meet all eligibility requirements for investment by an SBDC. The information about each company that follows has been extracted from promotional material.

Small businesses wishing to be listed or SBDCs that would like further details on the companies outlined below should contact Reay Bevis at 433-6459 in Oshawa.



## MANUFACTURING AND PROCESSING

### VERTICAL MARKET SOFTWARE

One of the best North American producers of vertical market software is looking for an investment of \$2,000,000 over the next three years to ensure its products remain state-of-the-art.

Located in North Bay, with offices in Toronto and Detroit, the company is profitable and expects to realize a return on investment of 40 per cent per annum over the next four years. This operation is well past the start-up stage and funds are required to make certain the company does more than simply provide its owners with a tidy profit.

The principal is in Toronto weekly and would be available to meet any serious investor.

### CHRISTMAS DECORATIONS

An Orillia-area company, manufacturing quality glass ornaments, requires an equity investment of \$150,000. Very profitable for the period May to October, the company would like to broaden its base by taking on another product line for the spring trade. Even as it stands, the operation does realize a profit over the 12-month period.

The principal operated under a non-compete clause until August, 1984, which meant all sales were necessarily in the export market. The recent removal of this restriction, combined with the company's inherent market-

ing strength, should boost sales dramatically.

### DIGITAL SIGNAL PROCESSING

A five-year old Ottawa company, manufacturing high-speed digital signal processing boards, requires up to \$250,000. Profitable from day one, the company has doubled its sales every year.

DSP will be to the 1980's what micro-computers were to the seventies and this company is well positioned as one of the few Canadian players in the field. Its uniqueness lies primarily in the technical expertise of the principals.

To date, annual goals have been met without outside investment. The current round of financing is required to permit growth to the next plateau.

### DATA COMMUNICATIONS

An Ottawa high-tech company developing specialty products for the data communications marketplace has recently introduced its PORTAL family of data switches. The product line consists of 8, 16 and 32-line microprocessor-controlled, computer switching units. The product is competitively priced and supports value-added features. With patents pending, this is the only Canadian company addressing this particular market niche.

An investment of between \$100,000 and \$750,000 is required to develop export markets, fund research and development and improve cash flow.



## TOURISM

### THEME PARK

The development of an agri-tourist theme park on Highway 401, 85 miles east of Toronto, requires equity of \$300,000/\$400,000. Patterned after an off-shore success, the venture anticipates a first-year profit of \$90,000 on revenues of \$650,000.

In-built flexibility will permit the investor with marketing expertise to play a meaningful role in future expansion.

### MOTOR HOTEL

A renovated mill on the Trent Waterway System is to be the site of a new 68-unit motor hotel. Completed by a modern addition, this first-class attraction will provide outdoor dining and other amenities not available anywhere else in the area.

Recent studies project good tourist traffic and indicate the need for a development such as this to service year-round demand.

An investment of up to \$1,000,000 is required.

### SKI RESORT

Located 45 miles from Scarborough, this existing ski resort is looking for an investment of \$300,000/\$500,000 to expand its operation. Complete with all the usual amenities, the attraction offers downhill (with a 360 foot vertical drop), cross-country, a triple chair lift, two T-bars, night skiing and a licenced lounge.

This year's profit could be materially increased by a well-timed investment and the addition of marketing expertise.

### TOURIST ATTRACTION

A new Muskoka tourist attraction being built in three phases over five years requires equity of \$1,000,000. Consisting of a water-themed park and an entertainment park, the venture projects first year revenues of \$2,000,000 and a return on investment between 30 and 40 per cent.

The principal is financially committed and brings considerable industry experience to the operation. Economic and feasibility studies are available to the serious investor.

## SBDC PROGRAM STATISTICS

December 31, 1984

SBDC's Registered	526
Grants/Tax Credits Approved	9,045
Dollar Value of Approved Grants/Tax Credits	96.4 Million
Total Dollar Value of investments in Eligible Small Businesses	262 Million

**SBDC News** is produced by the Program Services Section of the Taxpayer Services Branch, Ministry of Revenue, Oshawa, Ontario.



# A LETTER FROM THE ONTARIO MINISTER OF REVENUE TO NORTHERN ONTARIO BUSINESSES



Ontario's Small Business Development Corporations Program was introduced in 1979 as a unique and dynamic way to stimulate private sector investment in small business. To date, registered SBDCs have made some 1300 investments totalling more than \$262 million in Ontario's small business community.

While the total investment figures are most encouraging, the Ontario Government is aware that the equitable regional distribution of these dollars, particularly to Northern

Ontario businesses, is vital to the program's success. In recognition of this, the Treasurer announced in his 1984 budget that a \$7.5 million fund would be established specifically to pay grants to those investors who choose to channel their money into Northern or Eastern Ontario. The Ministry of Revenue, too, has responded to the challenge, with special seminars and information sessions tailored to the Northern business community to help them understand the SBDC program and how they might use it to best advantage in meeting their growth and expansion objectives.

During the first nine months of our 84/85 fiscal year, \$4.5 million was invested in 16 Northern Ontario businesses, which represents a significant increase from past investment performance. Our efforts are paying off, but not without the hard work and cooperation of the Northern business community. Both individuals and groups, particularly in the Thunder Bay area, have recognized the considerable potential of the SBDC program as a source of equity funding, have taken steps to find out more about it and even suggested ways it might be modified to be of maximum benefit to businesses and investors, alike.

Northern Ontario business people are to be commended for their interest and commitment to make the SBDC program work for them. The Ontario Government and the Ministry of Revenue have demonstrated a willingness and flexibility to adapt the program to Northern Ontario needs and to use SBDCs as an important tool in realizing our mutual objectives of economic stimulation, growth and employment diversification in our Northern communities.

But let us not stop here. There's still much to be accomplished on this front. We've got the investors and if you've got the businesses needing that vital equity funding, then let's get together.

We're here to help you and you can be sure we'll do everything we can to satisfy your financial requirements. Let's continue to work cooperatively, to use the SBDC program to full advantage, and together, to help realize the full economic and business potential of Ontario's great north.

Bud Gregory  
Minister

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All of this was handcraft work, not assembly-line production. AHA never got enough of any one type of work to make it pay.

Stein ran another company, Allard Motor Company Ltd., which made a modern version of the Allard roadster as an executive sports car. Considering the economic climate, the timing was bad. This is where Stein was introduced to the Small Business Development Corporations (SBDC) program. It was SBDC investment that was keeping Allard alive until better times.

By 1982, AHA had limited working capital. Stein realized that the company was spread too thin over too many different products. The company put on blinkers and got back to basics. The luxury limo market was out there waiting to be tapped. AHA would produce them on an assembly-line basis with a fixed set of options.

The current AHA Automotive Technologies Corporation is the result of a merger between what had been

AHA Manufacturing and the Allard Motor Company Ltd. SBDC funds had kept Allard going and now provided the flexibility to engineer the merger. The SBDC funds gave the company confidence to say no to unprofitable orders and to take advantage of opportunities. The SBDC investment also provided the money to purchase material for up-scale interiors.

In the last fiscal year, AHA's volume of business was \$2 million. For 1985, it is estimated at \$30 million with a gross profit of 25 per cent. It has an SBDC investment of \$700,000 with the potential to attract an additional \$1.8 million in SBDC financing.

AHA Automotive Technologies Corporation has now standardized its product. The standardization is a continuing process that allows the use of unskilled labour, thus reducing costs. More and more the company is subcontracting to local suppliers in Mississauga rather than manufacturing the parts itself. This is having a beneficial spin-off effect of the local economy.

With SBDC support, the company has grown from 12 to 30 employees. Forty

more are being hired to take advantage of a \$15 million contract to research and develop prototypes of technology for manufacturing limited production automobiles. Plans call for more than 100 employees since recently AHA automotive acquired Funcraft Vehicles (1981) Inc., a prominent Canadian manufacturer of ambulances, recreational and specialty vehicles.

"What would Rembrandt have done without paint?" asks Stein. "Entrepreneurs lack the magic ingredient: cash. Doing business on a limited budget is inhibiting. The SBDC investment has given us the edge to make mistakes, to take a chance on the roll of the dice. Usually small business suffers from too much government. It's refreshing to find a program that is filled with an attitude, a desire, to make the program work. I can see the SBDC program being in place forever. There is just enough carrot without being excessive. It's very well conceived and attractive to hard-headed businessmen. It achieves a nice balance with limited strings that still allow freedom for a company to manoeuvre. I have nothing but praise for the program."